

UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
WASHINGTON, D.C. 20460

March 8, 1996

Memorandum

Subject: New Inflation Factors for Updating Financial Responsibility Cost Estimates

From: Michael Shapiro, Director
Office of Solid Waste

To: Addressees

This memorandum provides important updated information for verifying adjustments for the costs of closure and post closure care of permitted facilities. Subpart H of 40 CFR 264 and 265 allows facility owners and operators to update their closure and post closure cost estimates by using an inflation factor. This inflation factor is derived by dividing the latest published annual Gross Domestic Product Deflator by the Deflator for the previous year. (The Gross Domestic Product Deflator has largely supplanted the Gross National Product Deflator referenced in the regulations.) The Deflator is a statistical series that measures inflation in the economy.

Periodically, the Commerce Department updates these indices. In January, Commerce published a new series with 1992 as a base year with an assigned value of 100. As shown in the following table, for 1995 the index is 107.5 compared with 105.0 for 1994. This leads to an upward adjustment of cost estimates by 2.4% for facilities using this method. If an owner/operator divides the new value for 1995 (107.5) by the value for the old series for 1994 (126.2 based upon 1987 as 100), the cost estimates for this year and all subsequent years can be 17% lower than they should be. The result could be that many owners/operators will not provide sufficient financial responsibility to ensure proper closure of their facilities and proper post closure care. It is therefore important that officials reviewing cost estimate updates ensure that the owners/operators have used the new figures for both 1994 and 1995.

Used Implicit Price Deflator based upon Gross Domestic Product (1992=100)						GDP Deflator (1987=100)
Year	1st Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter	Annual	Annual
1993	101.8	102.4	102.8	103.4	102.6	123.6
1994	104.1	104.6	105.2	106.8	105.0	126.1
1995	106.7	107.3	107.8	108.3	107.5	

FaxBack # 11981

Callers to the RCRA Hotline are receiving the updated numbers for both 1994 and 1995, but individuals who receive the figures from other sources may not learn that the series that changed.

Please distribute a copy of this memo to your authorized states. Also, if you or your authorized States have any questions on this issue, please feel free to contact Dale Ruhter at (703) 308-8192.

Addressees:

Kevin McSweeney, Region I
Lynne Hanifan, Region I
Andy Bellina, Region II
George Meyer, Region II
Elizabeth VanRabenswaay, Region II
Maria Vickers, Region III
Robert Greaves, Region III
John Humphries, Region III
Alan Farmer, Region IV
J. R. Finney, Region IV
Karl Bremer, Region V
Willie Harris, Region V
Gale Hruska, Region V
Steve Gilrein, Region VI
Desi Crouther, Region VI
Van Cammack, Region VI
Larry Hacker, Region VII
JoAnn Heiman, Region VII
Tom Burns, Region VIII
Wanda Taunton, Region VIII
Paul Arell, Region VIII
Judy Geise, Region VIII
Rich Vaille, Region IX
Michael Feeley, Region IX
Jeff Scott, Region IX
Elaine Schimmel, Region IX
Michael Bussell, Region X
Korina Layne-Jones, Region X

RCRA Enforcement Branch Chiefs, Regions I-X